

PSCP Eligible Education Expenses

This bulletin provides information on the requirements related to eligible education expenses for the Private School Choice Programs (PSCP) as provided under §§118.60 (7) (am) and 119.23 (7) (am), Wis. Stats., and Wisconsin Administrative Code PI 35.10 and PI 48.10. Eligible education expenses are determined based on the school's written policy and included as part of a supplemental schedule submitted with the school's required annual financial audit. The independent auditor hired by the school will determine, after testing, if expenses are eligible education expenses based on the school's written policy. For more information on the financial audit requirements, the supplemental schedule, offsetting revenue, and capital assets, see the Financial Audit and PSCP/SNSP Reserve Balance Bulletin available at: <https://dpi.wi.gov/sms/special-needs-scholarship/financial-audit>.

Required Written Policies

Eligible Education Expenses Policy

The governing body of each private school participating in the PSCP must develop a written eligible education expenses policy. The eligible education expenses policy must:

1. Be a written policy that is approved by the school's governing board;
2. Describe the school's educational purpose;
3. Describe the services related to educational programming that the school provides to pupils enrolled in four-year-old kindergarten (K4) to 12th grade that are reasonable for the private school to achieve its educational purpose; and
4. If the school has expenses or offsetting revenues that are partially related to educational programming and partially related to non-educational programming, describe the allocation method(s) that will be used. See the Allocation Requirements section below for additional information.

Capitalization Policy

Depreciation expense for capital assets that are used for educational programming can be included as an eligible education expense. In order to determine what assets are capital assets and how they will be depreciated, each school is required to have a written capitalization policy. The capitalization policy must describe what asset categories will be used, the useful life that will be applied to assets within each category, and the monetary threshold that will be used to determine if an asset is capitalized. The policy should also include information on what asset groups, if any, will be used for capitalization purposes. Appendix 1 includes an optional template for creating a capitalization policy. Each school must develop

their own written capitalization policy categories, descriptions, asset groups (if applicable), useful lives, and monetary thresholds.

Eligible Education Expenses Requirements

Eligible education expenses are used to calculate the school's PSCP reserve balance. The reserve balance is the difference between the PSCP revenue received and the amount spent on PSCP eligible education expenses. For additional information on the calculation of the reserve balance, see the Financial Audit and PSCP/SNSP Reserve Balance Bulletin.

Eligible education expenses are determined based on the school's written eligible education expenses policy. Eligible education expenses include all expenses associated with a school's educational programming for all pupils enrolled in grades K4 to 12 that are reasonable for the school to achieve its educational purpose. These expenses are eligible education expenses whether or not they are specifically for the choice pupils at the school.

Additional eligible education expense requirements:

1. The expenses must have been incurred and have already been paid or will be paid in a future school year.
2. The expenses must be supported by evidence of the good or service purchased and the amount expended.
3. Eligible education expense may only be included one time.
4. Eligible education expenses may only include those expenses that are in the Statement of Activities, except for land expenses. Land is included as an eligible education expense in the first year the land is used for educational programming.

Eligible education expenses may **not** include:

1. Expenses that the independent auditor determines were not associated with the school's educational purpose or programming, as determined by the school's written eligible education expenses policy.
2. Services, capital assets, or goods that are donated to the school.
3. Scholarship awards and financial support for pupils to attend the school, including payments to parents or others on behalf of pupils.
4. If the school contracts with a public school district to provide K4, the expenses for this program and any related services should not be included as an eligible education expense. These pupils are not included in the all pupil count. The revenue from the school district is also not included as offsetting revenue on the financial audit supplemental schedule.
5. Daycare expenses, except expenses for before or after school care for K4 through 12th grade pupils that are enrolled in educational programming at the school. If the school has a program for four-year-old or five-year-old children and the grades are not available for Special Needs Scholarship Program (SNSP) or Choice program pupils, it may determine if the program is daycare or educational programming.
 - If it is daycare, the students are excluded from the all pupil count and the costs are excluded from eligible education expenses.

- If it is educational programming, the students are included in the all pupil count and the costs are included in eligible education expenses.
- If K4 and/or five-year-old kindergarten (K5) are grades that SNSP or Choice program pupils are able to apply to, the grade or grades are considered educational programming.
6. Expenses that are included as SNSP exclusive eligible education expenses. See the SNSP Eligible Education Expense Bulletin at <https://dpi.wi.gov/sms/special-needs-scholarship/financial-audit> for additional information on how the amount that is excluded from the Choice eligible education expenses is determined.
 7. Uncollectable amounts owed to the school (bad debt expenses). An example of this would be tuition that a school is not able to collect from a student.

Allocation Requirements

If the school has expenses or offsetting revenues that are partially related to educational programming and partially related to non-educational programming, the written eligible education expenses policy must describe the allocation method(s) that will be used. This may include the following situations:

1. The school is part of a church.
2. The school has non-educational programming operations. This would include three-year-old kindergarten or daycare operations.
3. The school includes central administration for multiple schools. An example of this would be a management organization providing central administration for several schools. A school that has several different locations (including system schools) does not need to separately identify how much eligible education expenses each location has.

The school should determine what allocation methods will be used for asset categories, expenses, or offsetting revenues. If allocations will be used, they must be documented in the written eligible education expenses policy. Some example allocation methods include:

1. Pupil full-time equivalency or headcount
2. Employee full-time equivalency or headcount
3. Time spent
4. Number of transactions for allocating items such as accounting expenses
5. Square footage or square footage used over time for items such as rent
6. Miles driven or driver hours for items such as transportation expenses

Frequently Asked Questions

Q1. Will the DPI provide a sample eligible education expenses policy? Will the DPI approve the school's written policy?

A1. No. The DPI will not provide a sample policy or approve policies. Each participating school is required to write a policy that is applicable to the school's unique educational programming and organizational structure.

Q2. What if a previously included eligible education expense is forgiven, will be not be paid, or is determined to not be appropriate?

A2. The eligible education expenses will be reduced by the amount that is forgiven, will not be paid, or is determined to not be appropriate in the year the expense is identified as such.

Q3. Does before and after school care need to be provided by a teacher in order for it to be included as an eligible education expense?

A3: No, before and after school care does not need to be provided by a teacher to be included as an eligible education expense.

Q4. If repairs or maintenance are made to a school building, can the school include these expenses as an eligible education expense?

A4. Yes, repair and maintenance expenses related to buildings may be included if they correspond with a building that is used for educational programming purposes, as defined by the school's written eligible education expenses policy. The amount included as an annual eligible education expense depends on whether the expenses were capitalizable based on the school's written capitalization policy. If expenses were capitalizable, they would be depreciated annually based on the capitalization policy. If the expenses were not capitalizable, they are included fully in the year incurred. The expenses may also need to be allocated if they are for both educational and non-educational purposes.

Q5. Our school has owned land for multiple years. Can the school include land expense as an eligible education expense in the first PSCP financial audit?

A5. If the school paid for the land and can provide the auditor with evidence of the transaction, the school can include the cost of land as an eligible education expense in the school's first PSCP financial audit. An allocation of the expense may be required based on the portion that is used for educational programming.

Q6. What is the Statement of Activities?

A6. Not-for-profit financial statements require a statement of activities. This statement is similar to the income statement required in for-profit financial statements. The statement of activities includes the revenues and expenses of the school.

Q7. What is offsetting revenue?

A7. See the Financial Audit and PSCP/SNSP Reserve Balance Bulletin at <https://dpi.wi.gov/sms/special-needs-scholarship/financial-audit> for an explanation of what is included in offsetting revenue.

Q8. The church and the school are the same legal entity. The church charges rent to the school. Can the school include the rent as an eligible education expense?

A8. No. The rent must be paid to a separate legal entity to include it as an eligible education expense. Recording rent in the internal financial statements represents internal bookkeeping for expenses and does not represent cash disbursements by the legal entity of the school. The school can include the building in its financial statements and depreciate it if it meets the capital asset requirements. The portion of the depreciation that is an eligible education expense must be determined using an allocation method.

Q9. The church and the school are the same legal entity. The church pays for general expenses such as utilities and charges the school. Can the school include the expenses as an eligible education expense?

A9. If the legal entity of the school has paid or will pay for the expenses, they may be included. The portion of the expense that is an eligible education expense must be determined using an allocation method.

Appendix 1:
Template capitalization policy.

If any asset groups will be used, they should also be noted in the policy.

Category Name	Category Description	Useful Life	Monetary Threshold
Educational Media	Instructional and administrative items that are expected to serve their principal purposes for more than a year. Media includes items such as text and reference books, audio-visual materials, and computer software.	[School should specify the number of years that will be used for this category]	[School should specify the dollar threshold that will be used for this category]
Equipment	Classroom, office, and other equipment that is expected to serve its principal purposes for more than a year. This includes items such as desks, furniture, freestanding lockers, computers, copiers, and vehicles.	[School should specify the number of years that will be used for this category]	[School should specify the dollar threshold that will be used for this category]
Buildings	Building and building components such as lighting fixtures, built-in lockers, heating, ventilating and wiring systems.	[School should specify the number of years that will be used for this category]	[School should specify the dollar threshold that will be used for this category]
Land	Land and land preparation expenses for its intended purpose. This includes demolition of an existing building and other site preparation and site improvements (other than buildings) that ready the land for its intended use.	None	N/A
Land Improvements	Improvements that add functionality to the land. Examples include sidewalks, fencing, installed playground equipment, and landscaping.	[School should specify the number of years that will be used for this category]	[School should specify the dollar threshold that will be used for this category]
Leasehold Improvements	Improvements to a leased facility that will stay with the facility even if the school no longer leases the facility.	The current lease term	[School should specify the dollar threshold that will be used for this category]